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THE WAR INDUSTRIES BOARD: ITS DEVELOPMENT, ORGANIZATION, AND FUNCTIONS

I. INTRODUCTION

When on March 4 of the present year the President appointed Bernard M. Baruch chairman of the War Industries Board and defined his duties, he did not, as certain press reports have implied, create an industrial dictator. His action did clear the way for Mr. Baruch's assumption of the duties of a director of industrial war strategy, of an industrial chief of staff—for the present position of the War Industries Board in the American government is comparable in its relation to national industrial policy to nothing so much as the functions of the general staff of the army in its jurisdiction over military strategy. After a year of war the direction of industrial policy is placed in single hands, and a central planning board is established for dealing not only with the problems of production and purchase but with the whole attitude of the government toward the mobilization of business resources for the prosecution of the war. Leadership has been focused and an administrative channel opened for the inauguration of a studied and inferentially constructive industrial policy.

The great advance which this step marks is the definite fixing of responsibility for the administration of such a policy. It is

yet somewhat early to judge whether the powers of the reconstructed organization will be commensurate with the responsibility. Although the President's letter to Mr. Baruch conferred seemingly far-sweeping powers, existing legislative barriers still make many of those powers dependent in greater or less measure on the co-operation and consent of the existing departments and bureaus of the government. Unwillingness and delay in granting such consents on the part of departmental agencies during the past year have hampered and even wrecked some of the organizations which the newly constituted War Industries Board has supplanted. The first six months of the war produced indeed a constant succession of experiences with the unwillingness of bureau officials to relinquish in any form the responsibility and powers, especially for placing contracts, which were theirs by congressional enactment. The interdepartmental committees, munitions boards, and like agencies which sought to draw together for common planning the scattered and apparently conflicting interests of the production and purchase bureaus which had to deal with industrial problems each encountered the same handicaps.

Varying in the ingenuity of their structure, these co-ordinating boards fell alike before the fundamental weakness that their common action and their power depended on the voluntary delegation of authority by bureaus inspired with a spirit of competition in efficiency which transcended their desire to work together for a common cause. This is said in no spirit of undue criticism of the men who composed them. It is undoubtedly too much to expect of human nature that an official charged with the detailed administration of a separately constituted government agency should be able to regard the problems of a brother-official as of equal urgency with his own. The British experience in the early days of the war with "groaning cabinets"—planning bodies intended to undertake executive action, but composed of officials each charged with administrative duties and thus with special interests—was not far unlike our own. An executive arbiter with the final voice on all decisions is alone able to prevent such bodies from becoming mere disorganized debating societies.

Yet there are at least three excellent reasons for predicting more effective results from the War Industries Board as now constituted.

The first is that the President, far more definitely and emphatically than before, has thrown the vast prestige of his office behind the agency and has delegated to Mr. Baruch in no uncertain terms many functions of an extra-legal but widely extended character which the presidency has gradually assumed during the past fifteen years and especially since the beginning of the war. This in itself is a guaranty that the influence of the War Industries Board will be determined by no narrow legalistic interpretation of its powers.

The second is that, with the exception of its functions in the determination of prices, the final decision as to the action of the Board is vested by the President in the chairman exclusively instead of as hitherto in the Board as a whole. This gives hopeful promise of quick and decisive action and opens the way to a courageous and effective assumption of leadership by the man to whom he has delegated the functions which his letter defines. While it may yet be too soon to reach a conclusion, the methods adopted by the new chairman and his choice of assistants so far show no reason for questioning the confidence which the President has placed in him, and with that whole-hearted confidence behind him, as the American war government is now constituted, there seems little reason to doubt his ability to carry through any policy which he may decide to inaugurate.

Finally, the passage by Congress of the so-called "Overman" bill, of which there now seems little doubt (this article is written early in May), giving the President power to redistribute the powers of the executive departments in any way which he may wish, will undoubtedly make available to the President the power to remove any existing legislative obstacles to the assumption of full control over governmental industrial policy by the War Industries Board and its investment with any or all necessary prerogatives now held by the several existing production and contracting bureaus and departments.

II. ORIGIN AND EARLY HISTORY OF WAR INDUSTRIES BOARD

Before attempting to analyze in detail the wide scope of the Board's activities and its probable significance in the history of American participation in the war and perhaps of the period of

reconstruction, it will be valuable to review its origin and early history. As at present constituted it is only one and perhaps not yet the final phase of a gradual, if at times stormy, evolution in war organization at Washington. It is very distinctly a product of actual experience rather than a previously planned and more or less theoretical experiment based on foreign experience in centralizing control. In many ways it aims at a more thoroughgoing centralization of direction of production than the European systems which have been used as the chief basis of comparison by critics who have attacked the lack of cohesion in production policy at Washington during the past year.

To trace the history of the War Industries Board it is necessary to go back to the beginnings of the Council of National Defense and its Advisory Commission, under whose legal authority the Board was first organized and of which it is still technically a part. The Council of National Defense and Advisory Commission, it will be recalled, were created in a section of the Army Appropriation Act approved August 29, 1916. The Advisory Commission, in the words of the act, was to consist of "seven persons, each of whom shall have special knowledge of some industry, public utility, or the development of some natural resource, or be otherwise specially qualified, in the opinion of the Council, for the performance of its duties." In general, the Council was to study the industrial and transportation systems of the country and make recommendations as to the methods by which they might best be utilized in case of some possible future war; and the special knowledge of the Advisory Commission was to be employed in promoting this effort. The Council was authorized to create subordinate bodies and committees for special features of the work. There was in the act nothing suggesting the assumption of executive action by the Council or any of its supplementary bodies even in the event of a war; its whole object as stated and implied in the act was a peace-time survey.

The members of the Advisory Commission were appointed in October of that year. Yet it was not until March 3, 1917, that the Council was fully organized, although the Advisory Commission had met two or three times before that and had outlined certain

tentative plans for action looking toward a mobilization of industrial resources. Early in March, 1917, however, war seemed well-nigh certain, and the whole Commission, all of them men of large interests, came to Washington prepared to buckle down to work. By this time any idea of carrying out the letter of the enabling act by conducting a long-drawn-out survey of American industry had gone. The time was too short. Immediate action was vital, and while the Commission was not designed as an executive body, the law creating it was elastic enough to permit a great deal of successful effort toward bringing industrial organization in touch with the government through the several departments represented in the Council of National Defense.

The Commission divided itself into seven committees, representing respectively transportation and communication, with Daniel Willard as chairman; munitions and manufacturing (including standardization), with Howard Coffin as chairman; supplies (including clothing), with Julius Rosenwald as chairman; raw materials, minerals, and metals, with Bernard M. Baruch as chairman; engineering and education, with Dr. Hollis Godfrey as chairman; labor, with Samuel Gompers as chairman; and medicine and surgery (including general sanitation), with Dr. Franklin Martin as chairman. Under this arrangement the Commission constituted itself an informal advisory industrial cabinet—in a sense the first agency in the government to devote itself to the war industrial problem as an entity—with each member serving as a point of contact between the particular form of activity with which he was charged and the several government departments. The Commission met frequently, making numerous recommendations to the Council as to steps which should be taken to secure the best results from industry to the various bureaus and departments of the government, particularly those of the Army and Navy, then engaged in a hectic turmoil of war activity. Men of experience in the business and professional world were called to Washington by the chairmen of the seven committees to give their voluntary assistance in supplementing the work of the Commission, and even within the first month of its existence the Council's organization had been of invaluable assistance in drawing together at

Washington various lines of industrial activity in the interest of the national cause.

Yet as the war continued, increasing experience began to show weaknesses in the design of the Council's structure as applied to the new and unexpected task which confronted it. Admirably as it filled in many existing gaps in the peace-time structure of the executive departments of the government, the need gradually became apparent for more tightly constructed machinery. The situation was in no sense the fault of the men composing the Council and Commission, or of the designers of the organization, who had made their plans before the war was imminent. The country probably does not yet realize the debt of gratitude it owes the able volunteers whom the Council pressed into service for their versatile and energetic assumption of responsibilities of a totally unforeseen and unprecedented character.

Such failings as developed were the natural result of a courageous attempt to adopt a governmental agency designed for investigation and research to an executive purpose, and they should in no way detract from the very real and very concrete achievements for which the Council and Commission have been responsible. The statutory handicaps under which the organization has labored serve only to pay the greater tribute to its services. It is probable, indeed, that a period of experimentation and trial, with its inevitable proportion of partial successes and failures, was necessary in the early months of the war before the beginnings of a permanent solution could be worked out. In many other directions besides that taken by the offshoots which crystallized in the War Industries Board, the Council of National Defense and the Advisory Commission have served as a governmental laboratory for the inception of new ideas and their development into valuable elements of the federal war organization.

In the supply problem the bureaus and departments of the Army and Navy, organized on the old hard-and-fast lines established through generations of peace-time bureaucratic habit, naturally tended each to attempt to meet its own needs in its own way with little or no concerting of effort even when several needed large amounts of the same form of supplies. These purchasing

bureaus early began commissioning civilians to meet the great need for increased personnel, but this seldom affected the systems under which they were managed. Certain of these bureaus, directed by capable officials, handled their own individual problems unusually well. The fundamental weakness in the whole situation was not so much the individual incapacity displayed in a few instances by bureau officials as the lack of cohesion in the whole governmental system which prevented the adoption by all bureaus of a single policy toward industry.

While powerless to correct adequately this main deficiency, if indeed it was clearly seen anywhere in Washington in these early days, the Advisory Commission, acting partly under the specific powers of the Council and partly under the delegated authority of individual cabinet members, addressed itself to bolstering up certain of the more obvious breaches in the governmental machinery. This article need concern itself with the history of only two of the main committees of the Advisory Commission, those on supplies and on raw materials, as they alone have a direct bearing on the development of the War Industries Board. The third of the purely industrial committees of the Commission, that on munitions and standardization, had no more than a fleeting existence as a separate agency, as its potential functions were largely absorbed by supplementary agencies of the Council, and Mr. Coffin, its chairman, soon gave practically his entire attention to the specialized work of the Aircraft Production Board, of which he was made chairman.

While the whole Commission continued to give joint attention to questions of industrial policy at its frequent meetings, the two committees just mentioned, those on raw materials and supplies, with Mr. Baruch and Mr. Rosenwald respectively as chairmen, soon assumed also a large place in the actual administration of the affairs of the contracting departments. Almost their first step had been to call to Washington as volunteer committee members men whose experience in business had qualified them for expert assistance to the Quartermaster and Ordnance departments of the Army and the corresponding bureaus of the Navy in the problems of outfitting the nation's forces.

While inevitably these civilian volunteers had to contend with a certain amount of professional jealousy of interference from the military officials in charge of the bureaus, on the whole their efforts were welcomed in the face of the tremendous task before the government, and with the use of abundant personal tact they were able to contribute a great service to the national cause. Their greatest contribution was undoubtedly one of method. From the beginning they inaugurated the plan of dealing largely direct with the producer through personal conferences at Washington. Group after group of manufacturers and producers was called to the capital by the committees of the Council of National Defense, to be told in a heart-to-heart talk of the government's great need for their best effort, and as a result informal price agreements were negotiated which often bettered by several points the market price of the days before the war. It is impossible to say how much additional advance was prevented in the already fast-rising cost of living by the intervention of these trade agreements in place of the wholesale open-market bidding method traditionally pursued by the government bureaus. It unquestionably saved the government much money, but what is even more vital, it tended to reduce to the minimum the great price stimulation which would have followed throwing on an expectant short market the vast early demands of the government for army supplies.

In many instances this "pegging" of prices extended all the way down from the finished product to the raw material. In the case of shoes, for example, when such bids for shoe contracts as were made in the old way were finally opened, the price for tanned leather, hides, thread, and almost every other component of the finished product had been arranged for in advance by the government at a reasonable rate, so that the shoe manufacturers could bid with the assurance that no speculator had the opportunity to corner the accessory market against them and hold them up for an exorbitant price. The Secretary of War early suspended the statute making open-market bidding necessary, and while the Navy adhered to the open-bidding plan, which was more workable in its case because of the smaller amounts of supplies needed, the Navy Bureau of Supplies and Accounts was able frequently to take

advantage of the pegged prices on raw materials already arranged by the Committee on Supplies.

While certain specific duties were delegated to the Committee on Supplies by the Secretary of War, a great deal of its most effective work, as in the case of other agencies of the Council, was extra-legal in character—agreements negotiated or steps taken which might not in the last analysis have been binding in law, not because they violated the law, but because they were not covered by any existing legislation. They were simply born of the emergency and followed because good foresight and the national interest dictated the course. Some of these activities have since been severely criticized in Congress, and while mistakes were undoubtedly made, they were due rather to inadequate organization and divided responsibility than to bad judgment. It is difficult to believe that the historian's perspective will not in general approve the work of the Council organization in these early days.

Perhaps even more striking than the illustrations already given was Mr. Baruch's arrangement with the copper producers by which the government secured 45,000,000 pounds of the metal at less than one-half the current market price. Such negotiations as these, aside from their intrinsic value, were of service in two ways: first, they emphasized to the administration the superior effectiveness in bargaining of an agency representing the whole government empowered to act for all the bureaus, and dealing with industry as a whole; and secondly, they brought home to the representatives of business somewhat more clearly a real insight into their opportunity for service in the war. One of the most significant elements in the whole situation in the very earliest days of the Council is the way in which the spirit of the Sherman Law was shattered time after time in the interest of efficiency. Almost the first request made of each group of industrial representatives who came to Washington was that they organize a trade committee, representative as far as possible of the whole industry, to act as its spokesman with the government. In some instances the existence of these controlling committees has led to charges of favoritism to some large corporation or group of firms, but it is difficult to see how else any sort of system could have been

introduced into the general mobilization of industry gradually taking place.

All through this early period it will be seen that the essential features of the contribution of the Council's organization to the government service were initiative, foresight, and collective planning—qualities in which the overburdened bureaus were undoubtedly often sadly lacking. It was these qualities, brought into play through the able men in the extensive committee system which had grown up, which formed the chief inheritance from the old committee system of the Council to the existing organization of the War Industries Board. Without the foresight of the Committee on Raw Materials in determining long in advance the probable needs of the Ordnance Department for certain rare chemicals used in high explosives, in which a shortage existed, and the Committee's energetic action through various expedients in making supplies of them available long before they were actually needed, it is impossible to tell what might have become of the government's program for high explosives. It is the same quality of planning, on a wider scale, that the present War Industries Board is expected to provide.

Notwithstanding the service which these committees were thus able to render, centralized as it was through the director, the executive officer of the Council, they could touch the problem only at scattered points. With their indefinite and technically almost non-existent powers they could act virtually only where they were asked to do so by the department officials. Through sufficient urging they could exert some influence on prices and on policy generally, but only in specific instances, and in any given instance the final decision rested with the official constituted for the task by statutory authority. The Council committees' functions from beginning to end were purely supplementary, and while the personality of the members make "advisory" a misleading word, the disadvantages of divided power and somewhat more divided responsibility showed themselves immediately.

III. THE GENERAL MUNITIONS BOARD

The earliest manifestation of weakness in the iron-clad separation of bureaucratic functions displayed itself through a general

tendency on the part of the purchasing bureaus to bid against each other for all kinds of supplies and materials, with the result that those which had the most forceful personnel got the most effective results without regard to the relative importance of the work each had in hand. It was probably this tendency as well as the need for planning for the production of many forms of munitions entirely new to the War Department that inspired the creation of the General Munitions Board, the first of the attempts at a co-ordinating agency to draw the various departments and bureaus together for common planning. The somewhat earlier Munitions Standards Board, constituted for the purpose of standardizing specifications and tools for munition manufacturing, was soon absorbed by the larger body.

The General Munitions Board was composed of seven representatives of the Army, nine of the Navy, the chairmen of the Advisory Commission Committees on Supplies, on Raw Materials, on Manufacture, and on Medicine, and the chairman of the National Research Council, with Frank A. Scott, a Cleveland manufacturer, as chairman. In the words of the annual report of the Council of National Defense, "The efforts of the General Munitions Board were directed toward co-ordinating the making of purchases by the Army and Navy, and assisting in the acquisition of raw materials, and establishing precedence of orders between the Departments of War and the Navy, and between the military and industrial needs of the country." Its activities included developing sources of supply for almost every form of munition from rifles, ordnance, and shells to optical glass and gauges. It set up sub-committees which contributed invaluable aid to the construction of cantonments and the provision of storage facilities. It gave particular attention to collective consideration of price questions.

Yet inevitably from its size, its indefinite powers, and its loose organization its functions were more judicial than executive. The power of decision rested in the whole board rather than in the chairman, which necessarily detracted from the driving force of the organization. As in the case of the Committees on Supplies and on Raw Materials, with which it "co-operated," it had to deal chiefly with matters referred to it by the departments. The initiative as well as the final decision still rested with them. Under

an order of the Secretary of War, dated April 12 (the same as that in which the requirement for the public letting of bids was suspended), War Department Bureaus were told to consult the Munitions Board "where time permitted," in order that their orders might be "co-ordinated" with those of the Navy, but bureau heads were reminded in the next paragraph that their responsibility was in no way detracted from by this requirement. Under this arrangement a bureau head was at all times perfectly free to disregard at will any decision of the Board. The Committees on Supplies and on Raw Materials, to which the Munitions Board frequently referred special problems, remained virtually independent and co-ordinate agencies in the Council, some of their special subcommittees acting in a similar advisory capacity to the Board.

In practice this scheme proved unwieldy, slow, and inadequate despite the energetic efforts of the chairman of the Board, whose infinite tact and diplomacy brought about far better team work among the bureaus than might have been expected from most men in similar circumstances. The General Munitions Board began work on April 9. It lasted until July 28, when it was superseded by the War Industries Board, Mr. Scott remaining as chairman.

Despite its manifest weaknesses it had marked a distinct advance over a system with no connecting body at all. It served in a limited measure as a clearing house for orders, preventing the more flagrant cases of competition between departments and setting up the rudiments of a scheme of priority in orders. It gave an opportunity for common counsel on immediate questions of price. Finally, and perhaps most important, it helped to bring about a much-needed revision of specifications for many forms of munitions to permit quantity production in cases where the bureau requirements had aimed at so high a standard of perfection as to be beyond all reach of immediate commercial production. Yet inevitably because of its size and its constitution it was a negative rather than a positive agency. Its only power to enforce decisions lay in the personal force of its membership and the moral support of the Council of National Defense. It could prevent some mistakes, but it could hardly initiate policies.

IV. THE WAR INDUSTRIES BOARD: FIRST PERIOD

The War Industries Board which succeeded the General Munitions Board avoided some of the more obvious weaknesses in the old organization. It was made up of seven instead of twenty-odd members, all civilians with the exception of one representative each of the Army and Navy. The Committees on Supplies and on Raw Materials, with their numerous subcommittees of business men, were transferred from their position as independent committees of the Council and made "sections" of the new Board. Mr. Baruch was made a member of the Board, while Mr. Robert S. Brookings was appointed member of the Board in charge of finished products, Mr. Rosenwald remaining head of the section on supplies. Judge R. S. Lovett became a member of the Board in charge of priorities, while Mr. Hugh Frayne came in as a representative of labor. The Army and Navy representatives were Admiral F. F. Fletcher and Colonel (later Brigadier-General) Palmer E. Pierce. Messrs. Baruch, Brookings, and Lovett formed a committee for handling the purchases of the Allies, thus tending to avoid conflict in interest between them and the United States.

Many loose ends were thus drawn together, and the new Board was much more nearly an active planning board for industry than anything which had preceded it. Yet regarded as an industrial cabinet it still occupied a very anomalous position. Its hazy authority could be checked in many directions. As a subordinate body of the Council of National Defense it very definitely lacked power to take the initiative in industrial policy. It was still a clearing house rather than a directorate. Again, looked at from the point of view of effective administration, such authority as it possessed, whether delegated by members of the cabinet or assumed through the prestige of its position, was vested in the Board as a whole rather than the chairman, just as in the case of the General Munitions Board, with a resultant loss in driving force. Finally, as in the case of the latter Board, its decisions could be nullified, not only by the heads of the executive departments of the government, but also by chiefs and even subordinate officials of the purchasing bureaus, in whom statutory responsibility and power over contracts still rested. The bureau chiefs were subject constantly

to a dual responsibility—their legal responsibility to the heads of their departments, and at the same time their hazy dependence for guidance on the War Industries Board.

The board was still a “co-ordinating” body which depended for its effectiveness on the co-operation and consent of individual bureaus, and their unwillingness in many instances to accept its leadership was frequently a source of embarrassment both to the government and to industry. Aside from questions of policy the Board’s lack of a definite status frequently produced unnecessary confusion in the mechanics of the dealings between manufacturers and the government. In a sense charged with supervision over production, the Board often found itself compelled to refer producers to individual bureau heads for information and direction even in questions involving several of them alike. While many of the threads of industrial activity converged in the Board, others remained unfocused. It is a distinct tribute to the quality of the men engaged in the Board’s work that so much was accomplished toward bringing order out of chaos and developing the vestiges of a centralized policy through informal conferences between the Board and representatives of the bureaus, and between these two interests and the leaders of industrial enterprises.

Through the period from the creation of the War Industries Board to the date of the President’s letter to Mr. Baruch in March probably no two problems better demonstrated the need for a more authoritative deciding voice than those of price and priority. Under the existing governmental system, short of the President, there was no one whose word was final on either question, and a certain amount of responsibility for both was distributed in an indefinite way among the individual heads of departments, their bureau chiefs, the War Industries Board, and its sections. The War Industries Board early set up an organization under Judge Lovett to decide questions of priority in production among the purchasing departments, and the Priorities Division of the Board was able to do much effective work toward eliminating conflict in war orders between the several departments and the Allies. This division grew in usefulness under Judge Lovett and still further increased its effectiveness under his successor, Judge

Edwin B. Parker, when Judge Lovett resigned to join the new Railroad Administration. Yet, especially in the earlier months of its existence, it was much hampered by special priority orders issued by individual production departments, particularly the Quartermaster Department, which in its eagerness to expedite shipment inaugurated its own special system and caused a great deal of confusion before the plan was finally abolished.

Yet the difficulties of establishing an effective system for administering priorities in production were largely of a mechanical nature. The much larger problem of determining priority in delivery as between military and non-military needs, between food and fuel and guns, between steel for merchant ships and steel for destroyers, and between guns for the Navy and guns for the Army, involving the whole question of large war strategy, was not vested in the Board, nor indeed vested anywhere definitely short of the President, and while Judge Lovett during his tenure of office with the Board was charged by the President with administering priority in transportation, the lack of an informed agency with comprehensive control over the whole problem was frequently apparent.

In the words of the statement issued by the Council of National Defense creating the War Industries Board, the Board was to "consider price factors." The actual form which its "consideration" took through the period from July 30 to March 4 was a series of agreements with the national representatives of various branches of industry on the price to be paid for their products. The price was to be charged alike to the American government, the public, and the Allies. While negotiated through collective bargaining, naturally these agreements had all the force of a price-fixing law, and they illustrate perhaps better than any other of the activities of the Board its tendency to become a central, executive, industrial planning board. It should be noted as further illustrating its trend that in each case the President's definite approval was secured before the price was adopted, making the Board here the direct agent of the President rather than of the Council, securing in this way the agreement of the several purchasing departments to the price determined upon, and giving the

Board as an ultimate weapon in bargaining the power of the departments to commandeer. Although agreements were negotiated by the Board on many kinds of commodities, the more important were basic raw materials, such as steel and copper. In most instances those on which prices were fixed were materials in which there was an actual or potential shortage, thus rendering them peculiarly liable to exploitation by profiteers. Further, to avoid conflict between the departments, when the prices were fixed the Board undertook the task of allocating to each department in the order regarded as most important its share of the material in question, thus taking over in a voluntary but none the less effective way the control of the national supply of many commodities.

It will be seen that in this direction the Board was progressing fairly rapidly to a determining position in industry. By 1918 the government had advanced a long way in collective planning on price from the time when one member of the President's cabinet publicly repudiated a price agreement approved by another member and when each department head in his negotiations with industry followed the individual theory in which he was a believer without regard to the confusing results to the nation of the differing policies. Yet the War Industries Board was even yet far from having a decisive voice on the whole question of price fixing and profits. Its activities were still governed rather by expediency in individual instances than by an established policy for which the whole administration took responsibility. The value of its methods in stabilizing the markets should, however, be none the less esteemed for that reason.

On the whole the period of the Board's history up to March 4 was marked by a gain in its importance brought about chiefly by the sheer pressure of circumstances toward a greater centralization of control, although its influence varied somewhat from time to time. Mr. Scott was compelled to leave his work in the fall of 1917 owing to ill health, and after an interregnum of several weeks the President asked Mr. Daniel Willard, chairman of the Advisory Commission, to take his place. Mr. Willard in turn resigned late in January to return to the administration of the Baltimore and Ohio Railroad. Judge Lovett served as acting chairman during

the greater part of the intervening periods. During the seven months the Board underwent many minor changes of organization, of which the most important was the complete elimination of the bulky industrial advisory committees which had first been attached to the Council and later to the Board. This step not only marked a gain in administrative efficiency through the supplanting of committees by individual expert executives, but also met the agitation in Congress for the complete divorcing from purchasing activities of representatives of business who might have any connection, however remote, with firms to whom contracts might be awarded.

Yet in spite of the extensive character of the Board's organization as it existed in the spring of 1918, and its contact with almost every conceivable phase of production and purchasing, it was still very largely what it had been when it was created in July of 1917, what the General Munitions Board had been, and what the germs of both organizations had been in the days of the early miscellaneous advisory committees of the Council—a supplementary agency without authority to assume leadership or control policy. It fixed prices on certain commodities, administered priority, acted as a clearing house, and performed certain delegated purchasing functions, but that was all; initiative still rested with the departments.

In the meantime the results of the lack of a guiding hand over all production had begun to show. A faulty distribution of war orders by the departments acting separately had become apparent, chiefly through the unnecessarily large need for emergency housing for labor. The country's industrial system showed signs of weakness here and there. Someone must determine for all the production departments the important question of converting less essential industries to war work. The policies to be pursued in building up new industries, the stimulation of production, the price question, not only on purchases by the government, but on all basic commodities, the determination of priorities in the broadest sense—all these matters were constantly calling for the decision which only an executive with the fullest power and broadest jurisdiction could make. Short of the President there was no such central executive in a position to make an unbiased decision.

V. THE WAR INDUSTRIES BOARD: REORGANIZED

It was such considerations as the foregoing which led the President on March 4 to make the War Industries Board into an agency of this character, with the power of decision resting definitely in the hands of the chairman on all questions except that of price. In the words of the President's letter, the functions of the board are:

1. The creation of new facilities and the disclosing, if necessary the opening up, of new or additional sources of supply.
2. The conversion of existing facilities, where necessary, to new uses.
3. The studious conservation of resources and facilities by scientific commercial and industrial economies.
4. Advice to the several purchasing agencies of the government with regard to the prices to be paid.
5. The determination, wherever necessary, of priorities of production and of delivery and of the proportions of any given article to be made immediately accessible to the several purchasing agencies when the supply of that article is insufficient, either temporarily or permanently.
6. The making of purchases for the Allies.

The duties of the chairman are:

1. To act for the joint and several benefit of all the supply departments of the government.
2. To let alone what is being successfully done and interfere as little as possible with the present normal processes of purchase and delivery in the several departments.
3. To guide and assist wherever the need for guidance or assistance may be revealed: for example, in the allocation of contracts, in obtaining access to materials in any way pre-empted, or in the disclosure of sources of supply.
4. To determine what is to be done when there is any competitive or other conflict of interest between departments in the matter of supplies: for example, when there is not a sufficient immediate supply for all and there must be a decision as to priority of need or delivery, or when there is competition for the same source of manufacture or supply, or when contracts have not been placed in such a way as to get advantage of the full productive capacity of the country.
5. To see that contracts and deliveries are followed up where such assistance as is indicated under 3 and 4 above has proved to be necessary.
6. To anticipate the prospective needs of the several supply departments of the government and their feasible adjustment to the industry of the country as far in advance as possible, in order that as definite an outlook and opportunity for planning as possible may be afforded the business men of the country.

In brief, he should act as the general eye of all supply departments in the field of industry.

In this letter the President practically delegates to the chairman of the War Industries Board his own authority so far as it extends to the supervision of the industrial needs of the departments and places him definitely at the head of them as a planning leader. For all practical purposes it removes the Board from the supervision of the Council of National Defense and makes it an agency responsible directly to the President, more or less co-ordinate in authority with the executive departments. Until the passage of the Overman bill, which will probably have occurred by the time this article appears in print, it will be impossible to give the chairman of the Board more legal authority over the production bureaus. Their responsibility will technically still be entirely to the executive heads of their departments. Yet even when the bill becomes law it is doubtful if the President will consider it wise or expedient to transfer more than a part of the legal responsibility of the bureaus to the War Industries Board. A large disruption of the existing machinery, built up on hard experience, should be wholly unnecessary. So long as the general directing control and the determination of industrial policy are centralized, detailed administration may well be left decentralized, especially with such vast machinery as has grown up in Washington.

In the actual machinery of the War Industries Board itself there have been and probably will have to be few changes. The Board as it now exists has under it special divisions and sections for handling particular supply problems, each in charge of experts. The Raw Materials Division has specialists for such materials as steel and its products, non-ferrous metals, chemicals and explosives, lumber, building materials, and the like, each with its complement of by-products. The Division on Finished Products and the Conversion of Industry includes such materials as cotton duck, machine tools, electrical equipment, optical glass, and a host of other things. Frequently of course the Board relies on the technical staff of one of the regular supply departments of the government for handling particular commodities.

Acting as the directing agency in the mechanism of the Board's organization is a "Requirements Division" composed of the heads of various sections of the War Industries Board, including the Priorities Division, and representatives of the Army, the Navy, the Emergency Fleet Corporation, the Food Administration, the Red Cross, the Railroad Administration, the Fuel Administration, and the Allied Purchasing Commission—practically all the government agencies which come in touch with the industrial field. To this agency the supply departments of the government furnish continually estimates of their future needs, keeping the division constantly in touch with the progress of their business, so that their requirements can be planned for far ahead. In turn the Requirements Division delegates to the proper division of the Board or to one of the supply departments itself, as the case may be, the task of meeting the need. Of this division the chairman of the War Industries Board is an *ex officio* member and is thus constantly in touch with the daily progress of business, although not compelled to devote himself to the detailed administration of it.

Priority of production is administered as before by the Priorities Division, of which Judge Parker is chairman, but a new agency has been set up by the Board for the administration of priority of delivery, of which Mr. Baruch is again an *ex officio* member, and which includes representatives of all the executive departments and special administrations, such as food and fuel, which touch industrial questions, joined together for common planning. It will be noticed that this agency hardly yet meets the requirements for a general war priority board to determine the largest questions of national strategy and to join military with industrial strategy. These decisions apparently rest now chiefly with the General Staff of the Army if not directly with the President himself. Yet the new Priorities Board in the War Industries organization is a long step in the right direction.

Finally the determination of price is now vested in a special committee, of which Mr. Robert S. Brookings, of the War Industries Board, is chairman, and of which Mr. Baruch is again an *ex officio* member. It includes General Palmer E. Pierce, member of the War Industries Board and Surveyor-General of Supplies for the

War Department; Paymaster Hancock, of the Bureau of Supplies and Accounts of the Navy Department; Dr. H. A. Garfield, Fuel Administrator; F. W. Taussig, chairman of the Tariff Commission; W. J. Harris, chairman of the Federal Trade Commission; and Hugh Frayne, the labor member of the War Industries Board. The Price Committee thus includes not only officials having to do with the commodities particularly to be considered, but also the basic factors entering into a just price determination. This again is a decided step in advance toward fundamental planning.

VI. FURTHER CO-ORDINATION REQUIRED

From the present trend of events the War Industries Board promises to become the sole directing agency between the government and industry. Backed by the power of the President to commandeer, to withhold fuel, and in other ways to force the halting into line, it can mold the country's industrial system almost as it will—whether in organizing the nation for war or in directing the lines along which it shall return to normal conditions when peace comes. In a system of government such as ours, where the responsibility for directing the war rests almost exclusively in the hands of the President, and where his power ultimately becomes almost absolute, the Board has been shaped into a very potent instrument.

Yet powerful as it may become, subject only to the jurisdiction of the President, it is well to remember that in a comprehensive national war plan it cannot stand alone. Its policies must be subject to the administration's general strategy in the war—for instance, to the amount of munitions in comparison with the number of men, or the amount of food that it wishes to send abroad at any given time. The munitions program and the conversion of industry to war purposes must be governed by the ultimate end in view. In addition, one of the great factors in production—the labor factor—is being administered by another government agency, and it is obvious that priority in the labor supply must go hand in hand with priority in materials.

Finally the War Industries Board is now virtually directing the government's price policy. Necessarily statesmanship demands

the most carefully studied relationship between prices and war finance. Great Britain, with her flexible parliamentary system, found her peace-time budget system easily adaptable to war and has been able to correlate her war taxation and her policy toward war profits. In the United States the responsibility for regulating prices—a “voluntary” but none the less effective system of regulation—has been assumed by the President, acting through the War Industries Board, while the ultimate responsibility for taxation rests exclusively with Congress, a constitutionally co-ordinate branch of the government.

The War Industries Board itself is a notable demonstration of the power of war to force concert of effort and collective planning, with centralized responsibility. As yet the President himself is the single determining force in the larger questions of broad war strategy, involving military and civilian problems alike, despite frequent conferences among officials dealing with interrelating problems, and between those officials and the President. Will the President’s colossal task permit him to carry the war on his shoulders through another year without a further development of the small planning-board idea to assist him in the formulation of policy somewhat along the lines of the responsible ministries of Europe? Further, notwithstanding the apparent handicaps of constitutional barriers and political traditions, can the government carry through a long war without bringing together into a better working relationship those agencies which levy the funds and those which have the responsibility for their expenditure? It is through such advances in administrative methods, opening the way for constructive planning, that a national emergency such as the present can in some small degree help pay for itself.

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